

Unit Cost Management (UCM) Pre-Test Information

Effective 15 May 97



Background Information

Eleven CAOs are participating in a Unit Cost Pre-Test designed to help determine the exact approach to be taken for DCMC's deployment of Unit Cost Management principles in FY98.

What is Unit Cost Management?

An Internal management approach to controlling operating cost

Identifies customer focused outputs and collects costs associated with these outputs

Computes a total cost per unit of output produced

Uses cost per unit as a benchmark for measuring future cost performance

Allows internal management to see impacts of cost cutting or performance improving initiatives on the total costs incurred/demanded by customers

What is the UCM Development Schedule?

FY 97 - Develop UCM system
Conduct Pre-Test at selected sites

FY 98 - Test UCM system Command-wide
Ensure that systems and procedures support UCM
Evaluate UCM areas for alternative external funding applicability
Develop long range implementation plan

FY 99 - Full implementation of UCM within DCMC
Testing of Alternate Funding for select UCM pools

Why a Pre-Test?

DCMC's Unit Cost Team examined alternative ways to identify resource links between direct labor charges in PLAS and workload discriminators known to drive current cost and/or predict future DCMC operating cost. One discriminator involves stratifying the "Contract Kind", (as defined in MOCAS) to describe DCMC's basic contract management services. To do that, the Team needs to validate whether normal patterns of process charging in PLAS can be associated with each kind of contract, and whether collecting that information can effectively serve as the basis to calculate a unit cost.

There are at least two unknowns associated with the use of the contract kind discriminator. First, do all personnel know, or can they readily determine, the specific contract kind they are working on at any given time. Secondly, how difficult is it to collect data like this on a routine basis. To determine the magnitude of these concerns, a brief test is being conducted using the PLAS "Reimbursable" column as the collection vehicle. This test requires data collection from representative cross-section of all CAOs.

PLAS permits reporting to reimbursable Document Control Numbers (DCNs) on the Timecard Screen. Since most CAOs have only a small portion of reimbursable charges in relation to total process charges, the reimbursable pulldown feature in PLAS is immediately available to support the test reporting concept. This approach is a temporary plan for test purposes only; PLAS will be modified to collect Unit Cost information more efficiently when the exact requirements are known.

A standardized set of codes will be installed in local PLAS reimbursable pulldown menus for collection at all test sites. These codes reflect the existing kinds as defined in MOCAS, as follows:

MOCAS CONTRACT KIND CODES

- 00 - Other**
- 01 - Supply Contracts & Priced Orders**
- 02 - Research & Development Contracts**
- 03 - System Acquisition Contracts**
- 05 - Maintenance Contracts**
- 06 - Service Contracts**
- 07 - Facilities Contracts**
- 08 - Undefined Letter Contracts**
- 09 - Unpriced Orders Against BOAs**

Plus additional (not MOCAS `Kind of Contract`) codes for test reporting situations where use of a specifically listed code is inappropriate:

- 11 - Subcontract/Delegations**
- 12 - Generic - (Non-contract specific)**
- 13 - Reimbursable**
- 14 - Indirect**

CAO Test Criteria:

The test plan calls for at least two geographic offices (one small, one large) and two resident offices (one small, one large) from each District. CAOs selected to participate in this test met the majority of the following criteria:

- Mature PLAS System, i.e., actual PLAS reporting within 5% of paid hours, as measured at the local server.
- Workload data reflects a representative distribution of contract kinds in the workmix, i.e., not all one kind of contract.
- Reimbursable reporting is reasonably mature and accurate, regardless of volume of DCNs or hours reported.
- CAOs are not participating in any other major HQ DCMC-sponsored test which significantly modifies reporting behavior or processes in use during this test period.
- Participation requires weekly evaluation of test data and comments.

Test Site Locations:

DCMC Lockheed Martin, Denver
DCMC, St. Louis
DCMC G. E. Lynn
DCMC, Boeing, Seattle
DCMC, Phoenix
DCMC, Westinghouse Baltimore
DCMC, Orlando
DCMC, Boston
DCMC, Seattle
DCMC, Hughes, LA
DCMC, McDonnell Douglas, St. Louis

Reporting Instructions:

During daily reporting, users will select one of the Contract Kind Codes from the reimbursable column indicating the specific kind of contract serviced. The following general reporting groundrules apply:

- Normal rules for charging to process and program codes continue to apply, and current charging instructions for bonafide reimbursable DCNs. Participation in the test is not expected to disrupt any aspect of national or local reporting requirements currently in place.
- All DIRECT process code transactions (PLAS Processes 002-181) require an entry in the Reimbursable column - either for a bonafide reimbursable contract/DCN, or for one of the above "Contract Kind" Codes used in the test. Indirect Processes, by definition, can not be related to a specific contract kind, rather they form the "General & Administrative" costs needed to support DCMC operations.
- If the specific contract kind is not known, determine what the likely code should be using the "Contract Kind Guidelines - How Do I Know One, When I See It?" listed below.
- Code 00 - "Other" is NOT a catch-all or "unknown". The category called "Other" is a specific grouping of contract kinds other than the types listed in 1-9. Because these kinds of contracts are few, it is not expected that this code will be frequently used.
- If the specific PLAS process code being performed involves work in support of multiple contracts covering multiple contract kinds, select the Non-Contract Specific (Generic) Code 12 option.
- For work performed on a subcontract or delegation which is in support of a prime at another DCMC, select the Subcontract/Delegation option, Code 11.
- **Special Note regarding pre-test code 13- Reimbursable:** This code has been made available only for those DCMCs not currently using PLAS to report reimbursable information. Locations which do not report reimbursables in PLAS use Code 13 as the single code equivalent to reporting to individual reimbursable codes. These locations should include Code 13 on their Reimbursable Pulldown list, and record all process charges applicable to reimbursable NASA effort as a Code 13.
- If your DCMC has been routinely reporting reimbursables in PLAS, test plans call for continued reporting to the individual contract number/DCN/function codes as in the past. These locations would not use Code 13, and may omit the code from your Reimbursable Palette.

Employee Time Reporting Instructions:

Employee time reporting for any possible additional effort associated with participating in the Unit Cost

Pre-Test are the same as for normal PLAS reporting efforts, except for the use of the FY97 Performance Plan Code NP017 - Unit Cost Management Challenge.

- For Employee Reporting:
Process Code **222** - Time and Attendance Reporting
Program Code - **NP017** Unit Cost Management Challenge
- For Pre-Test Team Members:
Process Codes - As Required, i.e., **217A** - Develop and Conduct Training; **192** - Special Projects and Data Collection; **224** - Meetings, etc. Program Code - **NP017** Unit Cost Management Challenge

CONTRACT KIND GUIDELINES

- HOW DO I KNOW ONE, WHEN I SEE IT?

One Way Is To Look At The Intent Of The Contract: Kind of contract reflects the basic intent of the contract such as the procurement of supplies, research, etc. It is best described by the type of commodity or service being offered. Review the contract for "Schedule of Supplies/Services", i.e., end item description:

- Supply Contracts and Priced Orders (Kind Code 01): e.g., gear, parts, repair kits, caps, boots; Generally are fixed-price contracts.
- Research & Development Contracts (Kind Code 02): e.g., contractor design, development, testing, prototype, research and data; Generally are cost-type contracts.
- System Acquisition Contracts (Kind Code 03): e.g., major systems (Minuteman III GRP, AMRAAM, JSTARS, etc.) DoD ACAT I Programs, if working on the prime contract; Generally total expenditures for research, development, test & evaluation of the system are estimated to be greater than \$115 million, or total expenditure for the acquisition exceeds \$540 million.
- Maintenance Contracts (Kind Code 05): e.g., repair, overhaul.
- Service Contracts (Kind Code 06): e.g., engineering/consulting service; Generally the primary purpose is to perform an identifiable task rather than to furnish an end item of supply.
- Facilities Contract (Kind Code 07): e.g., building, equipment rental, maintenance of facilities; Ninth position of PIIN will always be an 'E'.
- Unfinalized Letter Contract (Kind Code 08): e.g., looks like a letter and serves as a 'pre' contract for the contractor to begin work, when negotiating a definitive contract is not possible. (Note: Will be recoded to another contract kind after finalization).
- Unpriced Order against BOAs (Kind Code 09): e.g., identified by the words 'unpriced',

`monetary limitation`, etc. All prices and schedules will be input as estimated. (Note: Will be recoded to another contract kind after definitization).

- Other (Kind Code 00): e.g., Basic Ordering Agreement; Ninth position of PIIN will be an `A`, or `G`, with no orders (SPIINs) against it.

Another Way is to Review MOCAS products to identify contract kind:

- UYCM16, CAR Part A (Note: Listed as `CAT`)
- UYCM17, CAR Part B (Note: Listed as `CAT`; All Part B contracts are supply contracts; kind of contract is "1")
- UNMD040A, Contract Abstract - New Contract/Short Abstract
- UNMD040B, Contract Abstract - Production
- UNMD040D, Requested Abstract Reply
- UYCM03, Overage Part A Section 2 Report
- CT5801, Administrative Data (Note: On Line Abstract Inquiry Scan)
- MOCAS download by Contract Number (Note: User-defined customized report)

A Third Way is to Review the face page of the contract:

- Look for the Contract Kind designator printed on the face of the contract. Note that Army and Air Force contracts generally display contract kind code on the front page of the contract.

UNIT COST PRELIMINARY COST POOLS

The Unit Cost system being tested consists of six cost "buckets": Contract Kind information collected during the Pre-Test will be used to stratify the contents of the Basic CAS cost pool by each of the different kinds of contracts.

Basic CAS
Preaward Services
Mandatory Product Audits
System Reviews
Other
General Management

Below is a draft crosswalk, displaying how the Unit Cost Buckets are believed to align with today's PLAS Process Codes:

<u>PLAS Process Code</u>	<u>Unit Cost Bucket</u>
002-003	Basic CAS

004-009	General Management/Other
010	Preaward Services
011	General Management/Other
012-012E	Preaward Services
013	General Management/Other
014-014A	Other
021-022	Preaward Services
031-76	Basic CAS
077	System Reviews
078-081B	Basic CAS
081C	Mandatory Product Audits
081D-092	Basic CAS
093-094	System Reviews
101	Basic CAS
102	System Reviews
103-111	Basic CAS
112-118	System Reviews
119-133	Basic CAS
134-135	System Reviews
141-160	Basic CAS
161	System Reviews
162	General Management/Other
171-181	Basic CAS
191-500	General Management